

Exhibit 6B

City of Detroit's Objections and Supplemental Responses to Syncora Capital Assurance Inc. and Syncora Guarantee Inc.'s First Set of Interrogatories to the City Detroit

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN**

In re)	Chapter 9
)	
CITY OF DETROIT, MICHIGAN,)	Case No. 13-53846
)	
Debtor.)	Hon. Steven W. Rhodes
)	
)	

**CITY OF DETROIT’S OBJECTIONS AND SUPPLEMENTAL
RESPONSES TO SYNCORA CAPITAL ASSURANCE
INC. AND SYNCORA GUARANTEE INC.’S FIRST
SET OF INTERROGATORIES TO THE CITY OF DETROIT**

Pursuant to Federal Rules of Civil Procedure Rules 26 and 33, as made applicable to this proceeding by the Federal Rules of Bankruptcy Procedure 7026, 7033, and 9014, the City of Detroit, Michigan (the “City”) hereby submits the following objections and supplemental responses to certain of the First Set of Interrogatories (“Interrogatories”) propounded by Syncora Capital Assurance Inc. and Syncora Guarantee Inc. (collectively, the “Objectors” or “Syncora”).

The City hereby incorporates the introductory statement and General Objections from its May 6, 2014 response to Syncora’s interrogatories. Subject to and without waiving that statement or its General Objections, the City has met and conferred with counsel to Syncora and supplements its initial responses as follows.

SUPPLEMENTAL RESPONSES TO INTERROGATORIES

13. Identify all judgments against the City under the Revised Judicature Act.

RESPONSE TO INTERROGATORY NO. 13:

In response to Interrogatory No. 13, the City states that there were no judgments against the City from January 1, 2013 to the present.

SUPPLEMENTAL RESPONSE TO INTERROGATORY. NO. 13:

The City has met and conferred with counsel to Syncora and understands this request to be limited to judgments against the City that were enforced under the Revised Judicature Act, specifically by either raising real estate taxes or issuing municipal bonds. Subject to that clarification, the City states that based on the best information available to it, there has been only one such judgment since 1990. The City levied in Fiscal Year 1992 for a judgment rendered by the Circuit Court against the City relating to a lawsuit of a subcontractor for the Detroit Receiving Hospital construction. The millage levied on the tax rolls for that year was 1.024 mills in order to return \$5,790,511 in proceeds. The City is unaware of any other judgment levies or bonds since 1990.

14. For all judgments identified in response to Interrogatory No. 13, describe how the City paid those judgments.

RESPONSE TO INTERROGATORY NO. 14:

In response to Interrogatory No. 14, the City states that all judgments against the City under the Revised Judicature Act are paid by check from the City's General Fund, provided that certain prepetition judgments have not been paid, and will be subject to treatment as claims pursuant to the terms of the Plan.

SUPPLEMENTAL RESPONSE TO INTERROGATORY. NO. 14:

The City has met and conferred with counsel to Syncora and refers Syncora to its Supplemental Response to Interrogatory No. 13.

15. Describe the enforcement remedies available to the City's pension-holders and/or the Retirement Systems had the City not filed for bankruptcy.

RESPONSE TO INTERROGATORY NO. 15:

In addition to its General Objections, the City objects as this interrogatory is vague and ambiguous. The City further objects because this interrogatory calls for speculation and seeks legal analyses and conclusions.

SUPPLEMENTAL RESPONSE TO INTERROGATORY. NO. 15:

The City has met and conferred with counsel to Syncora and understands that it will satisfy this request by indicating that the issue of enforcement of remedies is a legal question governed by reference to applicable law. The City states that, as a general matter, the City's pension holders and the Retirement

Systems would have the same rights as any other unsecured creditor to enforce nonpayment of debts; outside of bankruptcy, claims for pension funding are protected by the Michigan Constitution. Even if such relief were available, it would be temporary in duration and would not address the severe underfunding condition in the pension plans.

16. Identify all of the opportunities described in Document 5.29.1.10.1 that the City does not intend to implement.

RESPONSE TO INTERROGATORY NO. 16:

In addition to its General Objections, the City objects as this interrogatory is vague in that it does not sufficiently describe the document referred to. If the document referenced is the Diagnostic Synthesis Templates dated October 1, 2010, the City responds that it believes the document was created by McKinsey & Company, and not by the current advisors of the City. It is unclear that any analysis of this specific document has been undertaken since it was written; however, the City refers the Objectors to the City's production of documents on its reinvestment and revitalization initiatives for information on activities with respect to some of the "opportunities" identified in this document.

SUPPLEMENTAL RESPONSE TO INTERROGATORY. NO. 16:

The City refers the Objectors to the comparison of Document 5.29.1.10.1 to the Plan provided in Exhibit A attached hereto.

18. Describe the basis for the City's determination of the aggregate allowed OPEB Claims (\$3,184,900,000).

RESPONSE TO INTERROGATORY NO. 18:

In addition to its General Objections, the City objects as this interrogatory is vague and ambiguous. In particular, the OPEB claim amount listed in the interrogatory (\$3,184,900,000) is not the value of the claim listed in the most recent version of the Plan. Rather, the most recent OPEB claim is approximately \$4.3 billion. Subject to and without waiving its objections, the City responds by referring to the Disclosure Statement, Section VIII.L.3.d.

SUPPLEMENTAL RESPONSE TO INTERROGATORY. NO. 18:

The aggregate allowed OPEB Claims (\$4.303 billion) are the result of a settlement between the City and the Retiree Committee. Section VIII.L.3.d of the Disclosure statement (Dkt. 4391) discusses the parties' positions (the City estimated the claim to be approximately \$3.771 billion while the Retiree Committee estimated the claim to be approximately \$5 billion), as well as the process by which the settlement occurred. For details regarding the specific calculations, the City refers Syncora to the actuarial reports the City produced on May 23, 2014, as part of the Milliman production.

20. For all funds identified in response to Interrogatory No. 19, describe any and all efforts by the City to collect those funds.

RESPONSE TO INTERROGATORY NO. 20:

In addition to its General Objections, the City objects as this interrogatory is vague, overbroad and unduly burdensome. Subject to and without waiving its objections, the City responds that collection of accounts receivable which are not paid in full within thirty (30) days after the issuance date, become the responsibility of the Treasurer. The Treasury Revenue Collections Unit (“RCU”) is currently performing a comprehensive data cleanse and analysis of delinquent accounts receivable to ensure the accuracy of the net realizable value. This unit manages the active billing for various City departments. In addition, the RCU is responsible for the preparation and processing of delinquent accounts including, but not limited to, ensuring best efforts are made to recover past due accounts using generally accepted collection techniques. Two third-party collection agencies are utilized on an as-needed basis to augment overall collection efforts.

SUPPLEMENTAL RESPONSE TO INTERROGATORY. NO. 20:

The City clarifies that the RCU manages the active *collections* for various City departments. In addition, the City has met and conferred with Syncora and understands this interrogatory to be directed at instances where State funds are being withheld until or unless the City takes specified action. Subject to that

clarification and understanding, the City states that it is not aware of any such funds or circumstances.

21. Identify the total amount of delinquent property taxes owed to the City.

RESPONSE TO INTERROGATORY NO. 21:

In addition to its General Objections, the City objects as this interrogatory is overly broad and unduly burdensome. Subject to and without waiving its objections, the City responds that due to the complexity of the City's property tax system, partially resulting from its participation in the Wayne County Delinquent Tax Revolving Fund, in combination with the 2008 financial crisis, which resulted in greatly increased numbers of delinquent property taxes, and a computer system which was not designed to deal with such a complex system, the City is unable, without a great deal of work, effort and the diversion of already strapped resources, to identify with any accuracy the delinquent property taxes owed to the City.

SUPPLEMENTAL RESPONSE TO INTERROGATORY. NO. 21:

The City states that, as of March 1, 2014, the gross amount of delinquent real and personal property taxes owed to the City is \$295,668,369.27. This includes amounts that the City collects on behalf of other entities, such as Wayne County, school district, etc. The amount owed to the City that it could utilize for City operations is \$47,608,337.92. The City notes that the collectability of this amount remains very much in question.

24. Identify each City asset whose actual or estimated value exceeds \$2 million.

RESPONSE TO INTERROGATORY NO. 24:

In addition to its General Objections, the City objects as this interrogatory is vague, overbroad, unduly burdensome and not reasonably calculated to lead to the discovery of admissible evidence. In particular, the large number and disparate types of assets owned by the City make responding to this interrogatory in detail unduly burdensome. Subject to and without waiving its objections, the City responds that this interrogatory is not reasonably calculated to lead to the discovery of admissible evidence because (a) the City has not identified any asset that will be disposed of for the purpose of satisfying creditors' claims; and (b) the City cannot liquidate and dispose of all assets to generate proceeds for the payment of creditor claims, nor can it be required to do so. Subject to and without waiving its objections, with respect to the value of the DIA Assets, the City refers the Objectors to the Christie's appraisal and further notes that not all assets of the DIA are assets of the City. With respect to other assets, the City refers the Objectors to the numerous documents it has produced relevant to the value of various City assets.

SUPPLEMENTAL RESPONSE TO INTERROGATORY. NO. 24:

The City directs the Objectors to the December 17, 2013 Christie's report as to the valuation of certain artwork housed at the Detroit Institute of Arts. The City

has also produced numerous documents relating to asset valuation in its document production, and while those documents can be specifically identified within the City's document production upon request, the documents can also be found in the City's Data Room as follows:

- DIA/art: Folder 6.8.5.3. (Christie's report)
- City-owned land:
 - Folder 6.8.1.1. (Appraisals);
 - Folder 6.8.1.2. (Foreclosure and Land Sales); and
 - Folder 6.8.1.3. (Real Estate and Infrastructure Properties Summary).
- Other: Folder 6.8.2. (Machinery and Equipment Summary).

The City also states that it has retained a specialty parking consultant in connection with an effort to analyze and, potentially, monetize the parking system. That effort does not contemplate a valuation from the consultant, but the City expects that, should a bidding process be commenced, any responsive bids may be indicative of value.

The City is unaware of any other appraisals or valuations of City assets worth more than \$2 million.

25. For each Interrogatory, identify every person who provided information and/or Documents that were utilized in preparing the response to that Interrogatory.

RESPONSE TO INTERROGATORY NO. 25:

Based on the large number of interrogatories propounded to the City, the time limits on the response, and the number of individuals involved in this effort, the City objects as this interrogatory is overly broad and unduly burdensome. Subject to and without waiving its objections, the City refers Objectors to its Witness List [Dkt. 4187], and further responds that, in addition to counsel, the individuals, or their staffs, who contributed to the responses to these interrogatories, are identified on the Witness List.

SUPPLEMENTAL RESPONSE TO INTERROGATORY. NO. 25:

The City states that, other than counsel, the following individuals assisted in responding to the interrogatories:

- **Carl Sekely** – Managing Director, Conway MacKenzie (Interrog. Nos. 21, 22, 24);
- **Chris Gannon** – Managing Director, Conway MacKenzie (Interrog. No. 12);
- **Daniel Jerneycic** – Restructuring, Ernst & Young (Interrog. Nos. 17, 19-21);
- **Donita Crumpler** – Manager II, Finance – Debt Management, City of Detroit (Interrog. Nos. 13, 14, 17);
- **Edward Keelen** – Law Department, City of Detroit (Interrog. Nos. 13, 14);
- **Eric Higgs** – Finance Department, City of Detroit (Interrog. Nos. 17, 23);
- **Jeffrey Addison** – Director, Conway MacKenzie (Interrog. No. 21);
- **John Naglick, Jr.** – Finance Director, City of Detroit (Interrog. Nos. 12, 13, 14, 19, 20);

- **Kenneth Buckfire** – CEO and Managing Director, Miller Buckfire & Co., LLC (Interrog. No. 24);
- **Kevin Hand** – Managing Director, Conway MacKenzie (Interrog. Nos. 16, 19, 20, 21, 24);
- **Kevin Richard** – Law Department, City of Detroit (Interrog. Nos. 13, 14);
- **D. Kyle Herman** – Director, Miller Buckfire (Interrog. No. 24);
- **Leighton Duncan** – Treasury, City of Detroit (Interrog. Nos. 13, 14, 17, 23);
- **Michael Jamison** – Dep. Finance Director, City of Detroit (Interrog. No. 17);
- **Nakia Johnson** – Proj. Director – Grants Administration, Office of the Emergency Manager, City of Detroit (Interrog. No. 12);
- **Richard Drumb** – Controller, City of Detroit (Interrog. No. 23);
- **Shavi Sarna** – Restructuring, Ernst & Young (Interrog. No. 17);
- **Suzanne Taranto** – Principal and Consulting Actuary, Milliman, Inc. (Interrog. No. 18); and
- **Yolaundra Johnson** – City of Detroit (Interrog. No. 17).

Dated: June 2, 2014

Respectfully submitted,

/s/ Bruce Bennett
Bruce Bennett (CA 105430)
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243-2382
Facsimile: (213) 243-2539
bbennett@jonesday.com

David G. Heiman (OH 0038271)
Heather Lennox (OH 0059649)
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212
dgheiman@jonesday.com
hlennox@jonesday.com

Jonathan S. Green (MI P33140)
Stephen S. LaPlante (MI P48063)
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500
green@millercanfield.com
laplante@millercanfield.com

ATTORNEYS FOR THE CITY OF DETROIT

Detroit Department of Transportation (DDOT)

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
(1) Rationalize DDOT routing <ul style="list-style-type: none"> Routes should be re-aligned to ensure capacity is utilized throughout the day and throughout the city. Such realignment will mean less demand on bus drivers, improved on-time performance. Reduced frequency of service could be mitigated by ITS <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Additional indirect savings in reduced wear and tear on buses; opportunity to reduce fleet size 	\$ 15.0	\$ 26.0	(1) Rationalize DDOT routing <ul style="list-style-type: none"> The City rationalized DDOT routes in 2012 resulting in approximately \$15 MM in annual savings. The annual savings are reflected in the base-case run-rates. 	\$ 15.0	\$ 15.0
(2) Lean DDOT maintenance <ul style="list-style-type: none"> Maintenance should be leaned Number of mechanics should be reduced <ul style="list-style-type: none"> Standard repair times should be established Overtime should be reduced/eliminated Inventory management should be improved <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Additional indirect savings in reduced driver overtime 	\$ 9.0	\$ 21.0	(2) Lean DDOT maintenance <ul style="list-style-type: none"> The City acknowledges that maintenance operations can be significantly improved and has included between \$1 MM - \$7 MM annually in maintenance efficiencies between FY 2015 - FY 2023. MV Transportation was contracted in 2013 to improve maintenance effectiveness and efficiency. Currently MV is running the DDOT maintenance operations. Overtime savings are included in Plan of Adjustment. 	\$ 1.0	\$ 7.0
(3) Reduce fare leakage <ul style="list-style-type: none"> Increase use of smartcards, reduces wear on fareboxes, eliminate opportunity for transfers arbitrage and lighted fare collection burden on drivers. Additionally, educate drivers on importance of strict fare enforcement. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Additional indirect savings in reduced repairs to fareboxes 	\$ 3.0	\$ 6.0	(3) Reduce fare leakage <ul style="list-style-type: none"> The City has out-sourced the DDOT cash room for various reasons including reducing leakage in the system. The City also continually educates the drivers on the importance strict fare enforcement. Other payment alternatives that reduce the use of cash are also being evaluated. 		
(4) Restructure fares <ul style="list-style-type: none"> Restructure fares, e.g. introduce peak fares and slightly raise base fare: e.g. \$1.75 most hours, \$2.25 during morning and evening rush hour. Leave student and senior/disabled fares unchanged. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Additional indirect savings through more even labor need 	\$ 1.0	\$ 7.0	(4) Restructure fares <ul style="list-style-type: none"> The City has included approximately \$3 MM - \$14 MM in additional revenue, due to fare increases annually in the 10 Year projections beginning in FY 2016. 	\$ 3.0	\$ 14.0

Public Lighting Department (PLD)

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
(1) Decommission Mistersky power plan <ul style="list-style-type: none"> Shut down Mistersky power plant and purchase all previously-generated power from DTE. (In the long run, City may transfer customers to DTE, in which case, only power the City used directly would be purchased from DTE by the City.) <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Upfront decommissioning cost of ~ \$2MM May need tie line upgrades of tie lines to DTE (estimated \$3-5MM) 	\$ 16.0	\$ 18.0	(1) Decommission Mistersky power plan <ul style="list-style-type: none"> The City shut-down Mistersky power plant during early FY11 and since then purchases all power from DTE which currently runs via the City's power grid to City customers and the City's own usage. Projections assume a transfer of all customers to DTE and an exit from the power distribution business. 	N/A	N/A
(2) Transfer T&D and power customers to DTE <ul style="list-style-type: none"> Transfer transmission and distribution and customer service functions (e.g. meter reading) to DTE, which would maintain and operate the PLD grid, and have latitude to gradually migrate users over to its existing grid. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> City may be able to avoid some of the estimated capital investment required by switching to DTE 	\$ 3.0	\$ 4.0	(2) Transfer T&D and power customers to DTE <ul style="list-style-type: none"> The City's 10 Yr. projections assume a transfer of all customers to DTE and an exit from the power distribution business. The current plans assume the transition of customers at the beginning of FY15. The City will avoid bearing the cost of capital expenditures but may have to pay higher rates for its own electricity 	N/A	N/A
(3) Delamp sections of the city <ul style="list-style-type: none"> Remove lamps in select sections of the city; consider replacing with more efficient lamps. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> In addition, city could avoid significant capital expenses (\$30-80MM) 	\$ 1.0	\$ 3.0	(3) Delamp sections of the city <ul style="list-style-type: none"> The 10 Yr. Projections assume a reduction in the street light footprint from approximately 88 k streetlights to 55 k streetlights. Rather than discreetly de-lamping the City, this streetlight reduction will be completed in conjunction with the PLA street light conversion plan. Savings reflect estimated reduction in electricity consumption. 	\$ 1.0	\$ 3.0
(4) Install LED lights sections of the city <ul style="list-style-type: none"> Install LEDs in select areas of the city <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> City could reduce operating cost (energy and maintenance) by 50-70% Run rate impact of \$0.4-6MM depending on number of LEDs installed 	\$ 0.4	\$ 6.0	(4) Install LED lights sections of the city <ul style="list-style-type: none"> The current Lighting Plan of the PLA contemplates full LED lighting. Electricity saving result from using 55,000 LED lights versus HPS lights. Additional operational and long-term capital savings may be generated from the longer life of LED bulbs 	\$ 1.0	\$ 2.0

McKinsey & Company Opportunities [Oct. 1, 2010]**Financial Impact**

Low	High
-----	------

(5) Transfer street lighting to DTE

- Enter into a contract with DTE for street lighting operation and maintenance, and potentially capital investment (in the long run).

(\$ 9.0)	\$ 6.0
----------	--------

Additional identified financial savings/benefits:

- \$10MM in operational savings
- Annual payment to DTE \$11-19MM for operation
- Net run-rate impact of (\$9MM)-\$6MM
- May be savings of up to \$10MM per year in capital expense (currently, PLD is not expending needed level of capital, so savings may not assist in closing the deficit)

City's Restructuring & Reinvestment Initiatives**Financial Impact**

Low	High
-----	------

(5) Transfer street lighting to PLA

- The creation of Lighting Authorities has been approved by the State of Michigan legislature. The City, in turn, has created the Public Lighting Authority ("PLA") which will sponsor the construction of a new street light system. The associated O&M agreements for the new street lights have been agreed to with the PLA (DTE will be contracted to perform the O&M during the intimal three year O&M contract between the City and the Authority) . It is estimated that this process will take 2 - 3 years to transition all lights.
- Street lighting capital expense will be paid with the proceeds of a bond offering that will provide the funds to replace the existing street light system with a new system and associated new footprint based on the City's current footprint.

N/A	N/A
-----	-----

(\$ 12.5)	
-----------	--

Department of Public Works (DPW)

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
(1) Refocus road miles maintained <ul style="list-style-type: none"> Pavement quality could be improved by reducing overall mileage maintained. While this action would entail a loss of MTF funding, it would be slight – e.g. DPW could reduce overall miles of local roads maintained by as much as 30% and risk losing only 10% of local road funding. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Because road repairs are funded by allocation from the state gas tax, and must be used for roads, there is no benefit to the General Fund There may be side benefits in terms of reduced liability by reducing the miles of public rights of way (currently, City spends +\$2M per year in slip and fall lawsuits alone) 	N/A	N/A	(1) Refocus road miles maintained <ul style="list-style-type: none"> The City and its advisors have not reviewed this option, as it would not impact the General Fund. 	N/A	N/A
(2) Re-evaluate routing, collection practices <ul style="list-style-type: none"> Reevaluate current routes to identify opportunity to reroute and improve efficiency and effectiveness and introduce a regular review cadence to track effectiveness and flag need for route adjustments. In addition, examine opportunity to separate materials at point of collection to increase revenue from metals. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Savings of \$5-7MM May be additional revenue from sale of recyclables, scrap metal, and better separation of organic materials If incineration were replaced with landfill, there would be additional benefit from these changes in avoided tipping fee May be additional savings if overtime reductions can be effected 	\$ 5.0	\$ 7.0	(2) Re-evaluate routing, collection practices <ul style="list-style-type: none"> The City and its advisors completed the privatization of solid waste services. 	\$ 6.0	\$ 6.0
(3) Privatize solid waste collection <ul style="list-style-type: none"> Outsourcing solid waste collection could reduce operating expenses by up to 15-25% 	\$ 5.0	\$ 7.0	(3) Privatize solid waste collection <ul style="list-style-type: none"> The City and its advisors completed the privatization of solid waste services. 	\$ 6.0	\$ 6.0

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
(3) Privatize solid waste collection (cont'd)	\$ 5.0	\$ 7.0			
<u>Additional identified financial savings/benefits:</u>					
<ul style="list-style-type: none">- Savings of \$5-7MM by reducing operating expenditures by 15-25%- May also reduce workers compensation claims and eventually, pension expenses					
(4) Reduce frequency of bulk collection	\$ 3.0	\$ 4.0	(4) Reduce frequency of bulk collection	Incl. above	
<ul style="list-style-type: none">▪ Reduce frequency of bulk collection to once or twice a year *and* put in place measures to reduce potential for illegal dumping, such as adding staff at drop-off stations, and creating an aggressive enforcement program.			<ul style="list-style-type: none">▪ City actually increased frequency of bulk collection to bi-weekly as part of the privatization process to mitigate illegal dumping activity.		
<u>Additional identified financial savings/benefits:</u>					
<ul style="list-style-type: none">- May be additional indirect benefits in reduced workers' compensation claims					
(5) Eliminate commercial collection	< \$ 1.0		(5) Eliminate commercial collection	Minimal	
<ul style="list-style-type: none">▪ Cease commercial solid waste collection and let private operators take over collection.			<ul style="list-style-type: none">▪ Commercial collection activities will cease by the end of 2014		
<u>Additional identified financial savings/benefits:</u>					
<ul style="list-style-type: none">- Net benefit of <\$1MM in operational savings					
(6) Increase recovery of solid waste fee	\$ 10.0	\$ 20.0	(6) Increase recovery of solid waste fee	TBD	TBD
<ul style="list-style-type: none">▪ Increase recovery of solid waste fee, in conjunction with other tax collections efforts			<ul style="list-style-type: none">▪ The City and its advisors eliminated the option for residents to pay taxes and avoid the solid waste fee. A Finance Directive was issued in May 2014 accordingly.		
(7) Restructure GDRRA/RRF agreement	Up to \$ 5.0		(7) Restructure GDRRA/RRF agreement	N/A	N/A
<ul style="list-style-type: none">▪ City could renegotiate terms of agreement to cease subsidizing operation of a privately-held facility and pay market rates for waste disposal.			<ul style="list-style-type: none">▪ The City considered this option in light of the broader array of services that are provided (i.e., steam tunnels and other City infrastructure services) and determined not to proceed.		
<u>Additional identified financial savings/benefits:</u>					
<ul style="list-style-type: none">- Reduce cost of disposal up to \$5MM- Additional benefit would accrue if City were to maximize separation to reduce tonnage needing landfill (e.g. through increased composting)					

Private Public Partnerships (PPP)

McKinsey & Company Opportunities [Oct. 1, 2010]

Financial Impact

Low High

(1) DWSD

- Enter into a public private partnership (PPP) for some combination of operation, maintenance and capital investment in water system. This partnership may involve alterations to current governance structure of DWSD.

Additional identified financial savings/benefits:

- Operational savings of ~\$60mm
- Capital savings of ~\$60mm
- May be indirect benefits in better capital planning, greater access to financial markets

(2) Detroit Windsor Tunnel

\$ 10.0 \$ 40.0

- Sell concession to operate tunnel to private operator for a given term for a one-time lump sum payment.

Additional identified financial savings/benefits:

- Potential for upfront payment ranging for \$10-\$40mm
- Another partnership structure could increase receipts from toll revenue

(3) Coleman A. Young Municipal Airport

~ \$ 0.8

- Enter into a partnership with Vapor, a company who can provide unified operations and may provide some capital to facilitate airport upgrades.

Additional identified financial savings/benefits:

- Savings of \$800k
- Potential access to greater private capital
- Potential for share of profit from airport operations

(4) Belle Isle

- Increase revenue and decrease costs to City of Belle Isle, through combination of:
 - Monetizing - e.g. charging parking fee
 - PPP - entering into agreement with Friends of Belle Isle/other group to do fundraising and maintenance

City's Restructuring & Reinvestment Initiatives

Financial Impact

Low High

(1) DWSD

- The City and its advisors are exploring public private partnerships opportunities, including an agreement with an operating partner or an Authority. This process is ongoing. See the Plan of Adjustment and Disclosure Statement for additional information.

(2) Detroit Windsor Tunnel

- American Roads LLC, the parent company of the Detroit Windsor Tunnel, filed for protection under Chapter 11 on July 25, 2013. The City and its advisors continue to explore and evaluate its options. See the Plan of Adjustment and Disclosure Statement for additional information.

(3) Coleman A. Young Municipal Airport

- The City entered into an agreement with an FBO operator (Avflight) on July 1, 2011.

(4) Belle Isle

- The City entered into a operating lease agreement with the State of Michigan in 2013. This arrangement allows the City to use Recreation and GSD resources to maintain other City owned parks. The impact of the arrangement has been included in the POA projections.

McKinsey & Company Opportunities [Oct. 1, 2010]

Financial Impact

Low High

City's Restructuring & Reinvestment Initiatives

Financial Impact

Low High

(4) Belle Isle (cont'd)

Additional identified financial savings/benefits:

- Savings of \$1mm annually if all operations could be transferred
- May be additional savings in reduced wear and tear on City vehicles, improvements in planning
- Parking fee may generate revenues of ~\$3mm

(5) Detroit Institute of Arts

- Find a way for the city to capitalize on the value of the artwork it owns while maintaining access to public, e.g. sale, rental (to business, home sellers, film productions), long-term lease to other museums.

Additional identified financial savings/benefits:

- One-time payment from sale of art could be sizable (e.g. tens to hundreds of millions)
- Income from rental revenue, could be ~\$1mm per year (revenue from Arts Gallery of Ontario rental and sales program)

(6) Change DWSD legal structure to increase GF benefit

- Take immediate actions to increase revenue from DWSD to General Fund, e.g. PILOT, implement differential rate of return, review infill and infiltration calculations.

Additional identified financial savings/benefits:

- \$20-\$55mm annually to General Fund
- Up to \$8mm to Detroit residents in lower water rates

(5) Detroit Institute of Arts

- The Detroit Institute of Arts is discussed in the Plan of Adjustment and Disclosure Statement. The DIA is a major component of the "Grand Bargain".

(6) Change DWSD legal structure to increase GF benefit

- The City is evaluating opportunities to lease DWSD assets to an Authority. See above.

General Services Department (GSD)

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
(1) Rationalize space use <ul style="list-style-type: none"> Conduct full audit of space use in order to move departments from expensive to less expensive space. Furthermore, develop a revised buildings capital improvement plan. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Savings of \$2-5MM in lease costs May be additional benefit if some owned building can be sold/leased (e.g. Herman Keifer) 	\$ 2.0	\$ 5.0	(1) Rationalize space use <ul style="list-style-type: none"> Space consolidation plan has been initiated. Funding for office build outs and departmental moves have been applied for through quality of life funds to implement consolidation plan. 	\$ 1.1	\$ 2.7
(2) Improve inventory management <ul style="list-style-type: none"> Consolidate spend and improve management of inventory to improve service to department and reduce spend, particularly on expensive commodities (e.g. fuel). <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> GSD itself manages \$2MM in spend for supplies, and \$6MM for fuel Departments it manages spend \$14MM in supplies out of their own budgets Estimated savings of \$2-4MM 	\$ 2.0	\$ 4.0	(2) Improve inventory management <ul style="list-style-type: none"> Currently fleet maintenance parts management is consolidated under contract with NAPA Auto Parts. GSD is in process of developing RFP for potential privatization of all non-vehicle materials and supplies. This is part the development of an overall inventory management and logistics strategy. 	TBD	TBD
(3) Lean fleet maintenance <ul style="list-style-type: none"> Conduct lean diagnostic for GSD vehicle maintenance to identify opportunities to improve effectiveness. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> ~\$2MM (10% of current \$20MM spend) 	~ \$ 2.0		(3) Lean fleet maintenance <ul style="list-style-type: none"> The City has developed a City wide fleet strategy team. This initiative includes the development of methodologies for improved vehicle maintenance. City has begun conducting lean training and lean process implementation in all departments. GSD has hired contract mechanics to assist effectiveness of GSD fleet maintenance. An RFP was issued to evaluate the potential privatization of vehicle maintenance. 	\$ 1.0	\$ 2.0
(4) Rationalize fleet purchases through TCO <ul style="list-style-type: none"> Introduce analysis of total cost of ownership, to both most judiciously use spend on vehicles and reduce maintenance and fuel costs over time. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Reduce spend on vehicles and fuel Reduce maintenance costs Savings of roughly \$2MM (10% of total spend) 	~ \$ 2.0		(4) Rationalize fleet purchases through TCO <ul style="list-style-type: none"> The City has developed a City wide fleet strategy team. Overall fleet needs, right sizing and total cost of ownership are being considered as part of the strategy. GSD is pursuing improved maintenance, PM's etc. to reduce total cost of ownership and evaluating lease vs. buy option for new vehicle needs. 	TBD	TBD

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
(5) Leverage volunteers for park maintenance <ul style="list-style-type: none"> Create an understanding with the union that volunteer labor is vital to operations and not displacing union jobs. Create a database of volunteer support as well as a pamphlet to educate groups on how they can best assist the city. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> \$2-4MM in operational savings per year and/or increased effectiveness Additional savings may be possible if capital investment can be encouraged 	\$ 2.0	\$ 4.0	(5) Leverage volunteers for park maintenance <ul style="list-style-type: none"> The City has implemented an Adopt a Park program that has enlisted local business, churches and community groups to assist GSD in parks maintenance. 	\$ 0.5	\$ 1.0
(6) Outsource forestry <ul style="list-style-type: none"> Outsource forestry operation to private contractor. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> \$1-2MM in operational savings; these savings could be used to fund other tree work, e.g. planting trees to forestall construction of another combined sewer overflow (estimated cost \$5-10MM) 	\$ 1.0	\$ 2.0	(6) Outsource forestry <ul style="list-style-type: none"> An RFP to evaluate the option of outsourcing Non-park forestry activities is in development. 	TBD	TBD

Detroit Police Department (DPD)

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
(1) Reduce patrol officer non-productive time <ul style="list-style-type: none"> Reduce non-productive time of patrol officers <ul style="list-style-type: none"> Lean processes (reduce paperwork, use of hardcopies etc.) Adjust cell block processing to reduce waiting time <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> 100-200 more officers on the street from unlocking officer time in non-productive tasks This is a 10% increase in patrol officers at no extra cost (\$6.2-7.4MM) 	N/A	N/A	(1) Reduce patrol officer non-productive time <ul style="list-style-type: none"> City acknowledges that due to poor IT and internal processes significant non-productive time exists in DPD patrol operations. City plans to implement a fully integrated IT system. DPD consolidated 	N/A	N/A
(2) Contract cell block to Wayne County Jail <ul style="list-style-type: none"> Assess feasibility of contracting prisoner process to Wayne County Jail in order to unlock patrol officer time and reduce DPD's consent decree responsibilities. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> More patrol officer time on the street 75-85 officers currently working in detention center would become available for patrol More officer time available to respond to calls for service <ul style="list-style-type: none"> Equivalent to 25-30 more officers on street Improve DPD response time 	N/A	N/A	(2) Contract cell block to Wayne County Jail <ul style="list-style-type: none"> City closed all jail facilities and outsourced to State of Michigan Department of Corrections. The Consent Decree related to Conditions of Confinement was closed out Jan 2014.has been closed out as a result of this move. DPD redeployed more than 80 uniform personnel back to streets. 	N/A	N/A
(3) Civilianize administrative positions <ul style="list-style-type: none"> Replace administrative roles won through arbitration or exempt from union work rules (e.g. Office of the Chief) with civilians. Sequence additional administrative roles to negotiate with Police union through arbitration. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> 335 admin positions currently held by officers should be civilianized <ul style="list-style-type: none"> 59 positions won in arbitration in year 2000 146 exempt positions (not to applicable to union work rules) 130 admin positions included in union work rules 	N/A	N/A	(3) Civilianize administrative positions <ul style="list-style-type: none"> City acknowledges the need for civilianization of DPD administrative positions. DPD is in the process of civilianizing 250 back office functions throughout the department. Officers will be redeployed to patrol and investigative operations over the next 9 months. 	N/A	N/A

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
(3) Civilianize administrative positions (cont'd)	N/A	N/A	(3) Civilianize administrative positions (cont'd)	N/A	N/A
<u>Additional identified financial savings/benefits:</u> <ul style="list-style-type: none"> - Each civilian annual salary and fringe benefits ~\$36,000 lower than sworn officer - Every 2 administrative positions replaced by a civilian equates to one additional police officer 			<ul style="list-style-type: none"> ▪ See above. 		
(4) Reduce low-performing specialized units	N/A	N/A	(4) Reduce low-performing specialized units	N/A	N/A
<ul style="list-style-type: none"> ▪ Transfer police officers into more productive specialized units or patrol operations. ▪ Rationalizing/realigning specialized units 			<ul style="list-style-type: none"> ▪ DPD has reduced specialized unit staffing and redeployed uniform personnel 		
<u>Additional identified financial savings/benefits:</u> <ul style="list-style-type: none"> - 35-50 police officers serving community in more productive areas at no additional cost (\$2.2-3.2MM) 					
(5) Reduce false alarms	N/A	N/A	(5) Reduce false alarms	N/A	N/A
<ul style="list-style-type: none"> ▪ Reduce false alarms calls for service to increase police officer ability for patrol and respond to other runs. - Strengthen the current false alarm ordinance to make alarm companies more accountable for false alarms 			<ul style="list-style-type: none"> ▪ City has strengthened the ordinance. ▪ DPD is in the process of retaining a Billing and Collection firm. 		
<u>Additional identified financial savings/benefits:</u> <ul style="list-style-type: none"> - Alarm registration fees and false alarm fines will cover additional cost in monitoring false alarms 					
(6) Redeploy patrol officers to balance	N/A	N/A	(6) Redeploy patrol officers to balance	N/A	N/A
<ul style="list-style-type: none"> ▪ Redeploy officers from precincts/districts with a low crime/officer ratio to underserved precincts/districts. 			<ul style="list-style-type: none"> ▪ DPD implemented Compstat. DPD continually redeployed personnel to rebalance resources based on crime, calls for service, etc. 		
<u>Additional identified financial savings/benefits:</u> <ul style="list-style-type: none"> - Officers redeployed to properly balance officers available with precinct/district need at no additional cost * Based on crime, calls for service, and population size 					

McKinsey & Company Opportunities [Oct. 1, 2010]

Financial Impact

Low	High
-----	------

(7) Covert patrol operations to Community policing

- To better serve the residents in each precinct/district DPD will need to realign deployment to provide police services that better match the needs of the neighborhood community it serves

Additional identified financial savings/benefits:

- Police service more tailored to community needs at no additional cost

N/A

N/A

(8) Establish PSA problem-solving sessions

- Establish PSA specific metrics to be presented by lieutenants and sergeants to police officers on a weekly basis during roll call
- Use PSA boards to establish accountability across all levels in DPD patrol operations in a way that builds excitement and solves problems at the root cause

Additional identified financial savings/benefits:

- PSA problem-solving sessions will raise more granular information about local communities

N/A

N/A

City's Restructuring & Reinvestment Initiatives

Financial Impact

Low	High
-----	------

(7) Covert patrol operations to Community policing

- DPD has made community policing a priority. DPD has established a Neighborhood Police Officer position which is directly focused on community policing. DPD has also established Compstat to focus on prime prevention strategies.

N/A

N/A

(8) Establish PSA problem-solving sessions

- DPD implemented Compstat which directly addresses this identified issue.

N/A

N/A

Detroit Fire Department (DFD)

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
(1) Reallocate fire companies <ul style="list-style-type: none"> Use a battalion model to reallocate fire companies to provide the most coverage within each of the eight battalion areas. Regional characteristics (e.g. high rise buildings, fire prevalence etc.) are incorporated into model. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Improve call for service response time across battalions Improved company alignment with regional characteristics Continuous analysis of fire incident "hot spots" to adjust fire company allocation to match need 	N/A	N/A	(1) Reallocate fire companies <ul style="list-style-type: none"> Fire expert has been hired and report results are expected by June 1. Report recommendations will be used to determine coverage, locations, ideal model, etc. Department restructuring to Medical First Responder (MFR) will improve response time for department Purchase of Rapid Response mini pumpers will improve response time for department Purchase of new fleet and repair of current fleet will improve response time for department 	N/A	N/A
(2) Reduce fire false alarms <ul style="list-style-type: none"> Institute a false alarm reduction program to reduce the number of fire runs. <ul style="list-style-type: none"> Create ordinance for fire alarms to fine businesses/residents for exceeding a certain amount of false alarms a year <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Responding to false alarms puts fire companies out of service and unable to respond to legitimate emergency situations which can impact the safety of Detroit residents Responding to ~9,000 false alarms hinders DFD's abi 	N/A	N/A	(2) Reduce fire false alarms <ul style="list-style-type: none"> Ordinance approved for DFD to fine businesses/ residents for fires, false alarms, vehicle fires and accidents Vendor has been chosen. Operations should be underway by July 1, 2014 	\$ 0.9	\$ 2.6
(3) Align EMS response with type of call for service <ul style="list-style-type: none"> Tier the EMS resources to align with type of call for service (emergency, non-emergency) to reduce overall response time and improve patient service. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Improved call for service response time 	N/A	N/A	(3) Align EMS response with type of call for service <ul style="list-style-type: none"> EMS is currently working to analyze Priority 1, 2 and 3 calls to determine non-emergency "frequent fliers" and to route those non-emergency calls to community and non-profit organizations for response 	N/A	N/A
(4) Reduce EMS responses to calls for service <ul style="list-style-type: none"> Limit EMS responses to non-emergency (Priority 3) calls by channeling these non-life threatening calls to other service providers. 	N/A	N/A	(4) Reduce EMS responses to calls for service <ul style="list-style-type: none"> EMS is currently working with community and non-profit organizations to educate the residents on what requires a 911 call. 	N/A	N/A

14

Information Technology Services (ITS)

McKinsey & Company Opportunities [Oct. 1, 2010]

(1) Centralize IT procurement process

Centralize IT procurement and ensure that departments involve ITS throughout the entire process, including: developing requirements; identifying the best vendors; soliciting proposals; and executing contracts.

Additional identified financial savings/benefits:

- Optimizing IT procurement could generate cost savings of 10-15% of purchased IT spend - this could mean savings of \$2-3MM for the City
- Drivers of savings include reduced pricing, rationalized service levels, and elimination of unnecessary products/services

(2) Consolidate IT contractors

- Consolidate IT contractors with similar skill sets who are under-utilized; use contractors across multiple departments to eliminate redundancies and improve utilization.

Additional identified financial savings/benefits:

- The city currently spends over \$12MM on 150+ IT contractors - consolidation could eliminate 15-30 positions and yield annual savings of \$1.2-2.4MM (approximate average annual cost per contractor is ~\$80k)

(3) Consolidate data centers

- Consolidate 7-8 of the data centers into a new facility to be constructed at the recently purchased MGM building or into leased facilities; use Lyndon (DPD) data center as backup facility.

Additional identified financial savings/benefits:

- The city currently spends an estimate ~\$15M to operate/maintain its data centers - consolidation could result in savings of 20-30% or \$3-5MM annually.

Financial Impact

Low	High
\$ 2.0	\$ 3.0
\$ 1.2	\$ 2.4
\$ 3.0	\$ 5.0

City's Restructuring & Reinvestment Initiatives

(1) Centralize IT procurement process

- Centralization of City-wide procurement, including IT, has occurred with the exception of DBA, PDD, DWSD and DDOT. Savings that have occurred as a result of this centralization are included in the 10 Yr. Base-Line Projections.

(2) Consolidate IT contractors

- At the time of the McKinsey report, the City had approximately 150 resources under IT contractors. As of May 2014, the number of IT contractors is approximately 60. The savings that have occurred from this reduction are included in the 10 Year Base-Line Projections.

(3) Consolidate data centers

- The City has consolidated into 3 data centers. Savings that have occurred as a result of this consolidation are included in the 10 Yr. Base-Line Projections.

Financial Impact

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
(3) Consolidate data centers (cont'd)	\$ 3.0	\$ 5.0			
<u>Additional identified financial savings/benefits (cont'd):</u> <i>- Savings would come from reduced facilities, energy, maintenance, and personnel costs</i>					
(4) Define roles for ITS and department-specific IT	N/A	N/A	(4) Define roles for ITS and department-specific IT		
<ul style="list-style-type: none"> Clearly delineate roles/responsibilities for ITS and department-specific IT staff; centralize employees performing core IT functions in ITS to improve staffing effectiveness. 			<ul style="list-style-type: none"> The City is in the process of evaluating the City-wide information technology function for purposes of restructuring the entire ITS organization, by position. The result of this process will likely be the centralization and consolidation of core IT functions. 		
<u>Additional identified financial savings/benefits:</u> <i>- Consolidating employees who are performing core IT functions will present opportunities to eliminate redundant positions and reduce personnel costs</i>					
(5) Reorganize ITS "business analysts"	N/A	N/A	(5) Reorganize ITS "business analysts"		
<ul style="list-style-type: none"> Reorganize ITS's "business analysts" against the City's group-level functions (e.g., Public Safety) so they are better-positioned to identify synergies across departments with similar needs. 			<ul style="list-style-type: none"> The City is in the process of evaluating the City-wide information technology function for purposes of restructuring the entire ITS organization, by position, including the business analyst position. 		
<u>Additional identified financial savings/benefits:</u> <i>- Savings could be achieved through analysts finding ways for departments to leverage existing solutions or cooperate on procurement</i>					
(6) Consolidate applications	N/A	N/A	(6) Consolidate applications		
<ul style="list-style-type: none"> Identify opportunities to consolidate applications that perform standard tasks across departments to eliminate redundancies, reduce complexity, and lower licensing/maintenance costs. 			<ul style="list-style-type: none"> A formal City-wide IT governance structure has been created that is being reviewed and analyzed by the new CIO. One of the main objectives of the governance structure is to ensure a consolidated, cost-effective approach to City-wide IT hardware and software purchases. 		
<u>Additional identified financial savings/benefits:</u> <i>- Consolidating applications to eliminate redundancies could result in savings on software licenses and application maintenance - annual maintenance costs for some department-specific applications currently run as high as ~\$40k</i>					

McKinsey & Company Opportunities [Oct. 1, 2010]

Financial Impact

Low High

(7) Improve capture of IT performance data

N/A N/A

Develop a system of checks and balances to ensure that ITS employees record required data and to ensure that supervisors see that records are complete.

City's Restructuring & Reinvestment Initiatives

Financial Impact

Low High

(7) Improve capture of IT performance data

IT operating and financial dashboards are in the process of being developed. As part of this process, checks and balances will be included to ensure accurate capture of data.

Purchasing Division

McKinsey & Company Opportunities [Oct. 1, 2010]

(1) Strategic sourcing of spend

- Increase use of City-wide contracts across departments
- Increase procurement division authority over City spend
- Improve operating systems in procurement division to track/monitor city spend

Additional identified financial savings/benefits:

- Rationalize \$45MM in procurement savings
 - * Strategic sourcing across departments
 - * Lean procurement spend
 - * Increase oversight of city procurement spend
- ~\$680MM of City's \$950MM purchasing spend is not reviewed

(2) Streamline purchasing process

- Streamline procurement process across departments by reducing unnecessary procedures
- Propose ordinance change to increase threshold (currently \$25,000) for which City Council must approve purchases

Additional identified financial savings/benefits:

- Shorter timeframe encourages more bidder competition leading to improved performance
- Reduced lead time permits city agencies to plan in a more effective manner

(3) Evaluate price premiums to local bidders

- Adjust purchasing ordinance to reflect best economic benefit for Detroit
 - Rationalize costs for price premiums for local business versus the number of Detroit jobs (and tax revenue) produced by local bidders

Additional identified financial savings/benefits:

- Price premiums increase financial burden of city contracts
 - * \$5-7MM estimated annual premiums paid by the city

Financial Impact

Low High

\$ 45.0

N/A

N/A

\$ 5.0

\$ 7.0

City's Restructuring & Reinvestment Initiatives

Financial Impact

Low High

(1) Strategic sourcing of spend

- The City is working on consolidating all contracts within the Purchasing Division. This consolidation has allowed the City to better identify opportunities to consolidate City-wide contracts. The City estimates that it has saved approximately \$4 - 5 MM of controllable spend to-date, which is included in the 10-Yr. Base-line Projections, and believes another \$2 MM - \$5 MM is achievable as outlined in the 10 Year Reinvestment/Reorganization Projections.

(2) Streamline purchasing process

- The City is in the process of evaluating and likely revising its procurement process. One of the primary objectives of this evaluation is to shorten the procurement process. Part of this review will include an analysis of threshold amounts and what threshold amounts are in comparable cities.

(3) Evaluate price premiums to local bidders

- The City is in the process of evaluating and likely revising its procurement process. As part of this evaluation process, the price premiums for local bidders will be reviewed and analyzed.

Detroit Workforce Development Department (DWDD)

McKinsey & Company Opportunities [Oct. 1, 2010]

Financial Impact

Low High

(1) Improve contracting process through a fiduciary

- Execute contracts through a fiduciary to reduce contracting process timeline by 22-32% (13-14 wks)

Additional identified financial savings/benefits:

- Improved bidder competition for contracts can lead to better performing programs
- Improved contractor process permits the city to hold contractors accountable for performance by having ability to pay contractors in a timely manner

(2) Improve contractor performance

- Increase contractor performance by implementing accountability metrics
- Reduce contract rollovers; increase frequency of program proposals from bidders

Additional identified financial savings/benefits:

- Increase return on investment on WIA and JET programs
 - * Current return on investment on \$8mm WIA adult program is only one-fourth the statewide average

City's Restructuring & Reinvestment Initiatives

Financial Impact

Low High

(1) Improve contracting process through a fiduciary

- This Department has been discontinued. Its operations have been transferred to another City agency, outsourced, or eliminated. The City did not include any costs associated with this Department in the POA projections.

(2) Improve contractor performance

- This Department has been discontinued. Its operations have been transferred to another City agency, outsourced, or eliminated. The City did not include any costs associated with this Department in the POA projections.

Grants and Grants Management

McKinsey & Company Opportunities [Oct. 1, 2010]

Financial Impact

Low High

(1) Connect citizens with Federal entitlements

- Dedicate city resources to identifying these citizens and providing direct assistance to increase their awareness and their ability to obtain awards.

Additional identified financial savings/benefits:

- Medicaid access assumptions:
 - * Medicaid expended \$5,000 per enrollee in 2004.
 - * Approx. 1/3 of uninsured eligible citizens are not enrolled
 - * Assuming 1/3 of Detroiters are eligible and 1/3 of that enrolled
 - * Promotion could reach 25-50% of target population
 - * At \$5K per new enrollee, \$105-210MM would be brought into city
- EITCs average \$1,700 in annual benefits per eligible family but 15%-25% of those eligible do not apply
 - * Assuming a similar gap in Detroit and 50% of 263,000 households are eligible, enrollment
 - * Campaigns could bring \$35-\$60M into the economy
- Similar but un-quantified opportunities include food stamps and Pell grants.

(2) Centralize grant management for non-compliant departments

- Non-compliant departments' grant accountants to be centralized under Mayor's office
- Cross training and career path opportunities to incentivize improved performance
- Direct accountability to discourage poor reporting

Additional identified financial savings/benefits:

- May lead to increase in funding if donors feel more confident that money is being well spent and monitored

N/A

N/A

City's Restructuring & Reinvestment Initiatives

Financial Impact

Low High

(1) Connect citizens with Federal entitlements

- Not considered in the POA

(2) Centralize grant management for non-compliant departments

- City acknowledges these issues city-wide. City is creating the Office of Grants Management (OGM) which will oversee grant sourcing and expenditure monitoring. City is implementing a temporary IT solution called Ecivis to consolidate all grant reporting and tracking. OGM will report directly to the CFO.

N/A

N/A

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
(3) In-house consultancy - Create culture of compliance <ul style="list-style-type: none"> Utilize staff from departments that have been successful in creating a culture of compliance 6-12 month rotations in less compliant departments to identify key challenges and work directly with Mayor's office and relevant department head to improve <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Decreased inaccuracies may lead to increased funding and donor comfort Challenge within departments stems from lack of direct accountability and consequences 	N/A	N/A	(3) In-house consultancy - Create culture of compliance <ul style="list-style-type: none"> City acknowledges these issues city-wide. City is creating the Office of Grants Management (OGM) which will oversee grant sourcing and expenditure monitoring. City is implementing a temporary IT solution called Ecivis to consolidate all grant reporting and tracking. OGM will report directly to the CFO. 	N/A	N/A
(4) Create clear city-wide reporting requirements - and clear accountability <ul style="list-style-type: none"> Set 'new tone,' articulate importance of accurate reporting to ability to get grants for key city initiatives Mayor and top team to meet with all departments that receive grants to 'kick-off' clear grant requirements - Mayor's team to follow up regularly with non-compliance <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Could lead to increased donations if donors responsive and effort is successful 	N/A	N/A	(4) Create clear city-wide reporting requirements - and clear accountability <ul style="list-style-type: none"> City acknowledges these issues city-wide. City is creating the Office of Grants Management (OGM) which will oversee grant sourcing and expenditure monitoring. City is implementing a temporary IT solution called Ecivis to consolidate all grant reporting and tracking. OGM will report directly to the CFO. 	N/A	N/A
(5) Expand, centralize discovery process <ul style="list-style-type: none"> Each department is required to complete a 'wish list' of grant types/goals (e.g. grant to support dental work) Council of all departments with grants meets monthly to review new grant options, determine who applies Expanded staff search to support discovery <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Potential for considerable dollar infusion from new grants if process successful 	N/A	N/A	(5) Expand, centralize discovery process <ul style="list-style-type: none"> City acknowledges these issues city-wide. City is creating the Office of Grants Management (OGM) which will oversee grant sourcing and expenditure monitoring. City is implementing a temporary IT solution called Ecivis to consolidate all grant reporting and tracking. OGM will report directly to the CFO. 	N/A	N/A

McKinsey & Company Opportunities [Oct. 1, 2010]

Financial Impact

Low	High
-----	------

(6) Expedite Oracle grant module adoption

- Expedite Oracle evaluation process that is currently scheduled to wrap up in late autumn
- Mayor's office to assist grant team to find funds for rapid implementation - goal to be operational by FY 12' in critical departments

Additional identified financial savings/benefits:

- Avoids overspending on grants that the city must then cover:
 - * Grants regularly run \$10,000 or more over
- Ensures that all available grant monies are spent:
 - * Departments often return some grant money to the donor
- Estimates of value range from \$1-10MM a year, split between an increase in grant money spent and General Fund dollars saved
- \$3-6MM a year likely

\$ 3.0	\$ 6.0
--------	--------

City's Restructuring & Reinvestment Initiatives

Financial Impact

Low	High
-----	------

(6) Expedite Oracle grant module adoption

- City owns Oracle grant module. Implementation is prohibitively expensive. City is in process of replacing Oracle. City is implementing Ecivis as a bridge IT solution until Oracle can be replaced.
- Significant general fund dollars have been expended in past to govern over spending. The Office of Grants Management will be focused on monitoring expenditure activities to eliminate these issues going forward.
- Poor management and sourcing of grants has likely cost the City many times more than indicated in additional grant funds available to municipalities.

\$ 3.0	\$ 6.0
--------	--------

Department of Health and Wellness Promotion (DHWP)

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
(1) Improve tracking and differentiated treatment for revolving door' substance users <ul style="list-style-type: none"> Improved post-tracking would enable different offerings for revolving door patients Improved contractor evaluation would enable reallocation of cases leading to improved long-term outcomes <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Saves money to the city long-term as the perpetually addicted require a range of city services from local neighborhood policing to pantry services 	N/A	N/A	(1) Improve tracking and differentiated treatment for revolving door' substance users <ul style="list-style-type: none"> Almost all of health management was transferred to Institute for Public Health (IPH) Formation and savings from IPH currently reflected in baseline budget 	N/A	N/A
(2) Define, track ideal outcomes for clinical programs and redistribute patients based on data (for contractor-based programs) <ul style="list-style-type: none"> Define outcome types and goals for each program; track cost per treatment When programs don't reach goals, do deeper evaluation Where programs are contractor based, use data to drive patients to most effective and efficient programs 	N/A	N/A	(2) Define, track ideal outcomes for clinical programs and redistribute patients based on data (for contractor-based programs) <ul style="list-style-type: none"> Almost all of health management was transferred to Institute for Public Health (IPH) Formation and savings from IPH currently reflected in baseline budget 	N/A	N/A
(3) City assumes back office responsibilities and/or retrain accountants <ul style="list-style-type: none"> Move back office responsibilities to CAYMC, where Finance department will be able to provide overnight and training Finance will not provide a CFO for department, but finance executives can offer a broad view of issues <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Could diminish reporting inaccuracies which can lead to further funding and improved department image long-term Department reports general sentiment at state level that department is financially disorganized 	N/A	N/A	(3) City assumes back office responsibilities and/or retrain accountants <ul style="list-style-type: none"> City-wide Finance restructuring currently underway 	N/A	N/A

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
(4) Training and fellow support for referral (case management) system <ul style="list-style-type: none"> Find longer-term interns or fellows, perhaps in conjunction with Wayne State or U of M - fellows could be undergraduates as well as graduate students Track number of referrals made to each department, number of patients actually seen and publicize 	N/A	N/A	(4) Training and fellow support for referral (case management) system <ul style="list-style-type: none"> Almost all of health management was transferred to Institute for Public Health (IPH) Formation and savings from IPH currently reflected in baseline budget 	N/A	N/A
(5) Move to Baltimore (501 C3) shadow model for substance abuse <ul style="list-style-type: none"> Create a parallel 501 C3 organization to handle all donations and payments for city health department Board of Directors would be primarily made up of senior health department staff to ensure funding and goal alignment <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Baltimore received ~\$20MM (40%) funding bump City would likely remain responsible for local match and pension benefits 	N/A	N/A	(5) Move to Baltimore (501 C3) shadow model for substance abuse <ul style="list-style-type: none"> Almost all of health management was transferred to Institute for Public Health (IPH) Formation and savings from IPH currently reflected in baseline budget 	N/A	N/A

Department of Human Services (DHS)

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
<p>(1) One-stop shops for Human Services, Senior Citizens, Health and Wellness, and Neighborhood City Halls</p> <ul style="list-style-type: none"> By co-locating into fewer locations and instituting triage upon admission, citizens could receive a full suite of services (i.e. reduce expenses and improve health) that together can increase quality of life more effectively than any one service <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Centers exist, but transition cost might need to be absorbed by city (\$1-3MM) Triage could be funded through private fellows 	N/A	N/A	<p>(1) One-stop shops for Human Services, Senior Citizens, Health and Wellness, and Neighborhood City Halls</p> <ul style="list-style-type: none"> This Department has been discontinued. Its operations have been transferred to another City agency, outsourced, or eliminated. The City did not include any costs associated with this Department in the POA projections. 		
<p>(2) Head Start best practices sharing</p> <ul style="list-style-type: none"> Conduct deep dive into best pedagogical and cost structure practices of strong performers Communicate findings to lower performing delegates to help them improve Goal to increase student outcomes and/or enrollment 	N/A	N/A	<p>(2) Head Start best practices sharing</p> <ul style="list-style-type: none"> This Department has been discontinued. Its operations have been transferred to another City agency, outsourced, or eliminated. The City did not include any costs associated with this Department in the POA projections. 		
<p>(3) Expand some Head Start programs, reduce others</p> <ul style="list-style-type: none"> Redistribute Head Start contracts based on cost effectiveness and performance measurements- assign additional ZIP codes to some delegates to create additional student places and improve student outcomes 	N/A	N/A	<p>(3) Expand some Head Start programs, reduce others</p> <ul style="list-style-type: none"> This Department has been discontinued. Its operations have been transferred to another City agency, outsourced, or eliminated. The City did not include any costs associated with this Department in the POA projections. 		
<p>(4) Improve weatherization data tracking and redistribute contractor workload based on data</p> <ul style="list-style-type: none"> Develop tracking system that measures key components of contractor performance and distribute future jobs based on data Considerations include on-time delivery, re-inspections, and citizen complaints. <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Ensures use of all available stimulus and grant dollars available for weatherization (\$1-5MM value a year, esp. in 2012) Puts Detroit in position to apply for additional public and social sector dollars to complete add'l homes 			<p>(4) Improve weatherization data tracking and redistribute contractor workload based on data</p> <ul style="list-style-type: none"> This Department has been discontinued. Its operations have been transferred to another City agency, outsourced, or eliminated. The City did not include any costs associated with this Department in the POA projections. 		

McKinsey & Company Opportunities [Oct. 1, 2010]

Financial Impact

Low High

(5) Spin off Head Start, Weatherization

- Establish Head Start and Weatherization as a separate non-profit with CAA designation and funding
- CSBG grant (for enrolling Head Start and Weatherization participants) would remain smaller Human Services department

Additional identified financial savings/benefits:

- ~\$1M long-run in pension and fringe benefit costs (accrued benefits must be paid)

~\$ 1.0

(6) Reduce number of steps in 'double approval' process (esp. contract process)

- Complete current process mapping to identify steps that do not add value
- Work with departments and City Council to eliminate steps and create revised form for submission to City Council that requires fewer steps

N/A

N/A

(7) Co-locate at Herman Keifer

- Human Services moves into Pavilion #4 at Herman Keifer; City leases property for medium or long lease term to a private party that charges rent to Human Services and private party pays for \$2-4M building renovation

\$ 3.0

\$ 4.0

Additional identified financial savings/benefits:

- City receives lease payment of \$3-4MM

City's Restructuring & Reinvestment Initiatives

Financial Impact

Low High

(5) Spin off Head Start, Weatherization

- This Department has been discontinued. Its operations have been transferred to another City agency, outsourced, or eliminated. The City did not include any costs associated with this Department in the POA projections.

(6) Reduce number of steps in 'double approval' process (esp. contract process)

- This Department has been discontinued. Its operations have been transferred to another City agency, outsourced, or eliminated. The City did not include any costs associated with this Department in the POA projections.

(7) Co-locate at Herman Keifer

- This Department has been discontinued. Its operations have been transferred to another City agency, outsourced, or eliminated. The City did not include any costs associated with this Department in the POA projections.
- The City closed Herman Keifer in October 2013 and transferred all City operations located in Herman Keifer to other City locations.

Planning and Development Department (PDD)

McKinsey & Company Opportunities [Oct. 1, 2010]	Financial Impact		City's Restructuring & Reinvestment Initiatives	Financial Impact	
	Low	High		Low	High
(1) Org expert or process to help set core mission, reduce silo effect <ul style="list-style-type: none"> Department could benefit from outsider-led 'deep dive' to examine what department aspires to do and what it actually does - and then determine how divisions can best work together to achieve common goal All employees must be involved in evaluation 	N/A	N/A	(1) Silo issue <ul style="list-style-type: none"> City agrees PDD has significant silo issues which inhibit effectiveness and execution of mission Department has instituted weekly meetings with senior staff to reduce silo issues, implementation of central grants management office all key component, culture change will take time. Employees consulted throughout evaluation process and continue to be consulted 	N/A	N/A
(2) Lean diagnostic to reduce positions not aligned with core mission <ul style="list-style-type: none"> Michigan Lean Consortium or other group runs lean diagnostic on these divisions or department to ensure that every position is aligned with core department mission; freed-up staff can be redirected to address needs such as evaluating effectiveness (vs output) <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Frees up at least \$1-2MM to reinvest in grants to help the city 	\$ 1.0	\$ 2.0	(2) Reallocation of grant dollars <ul style="list-style-type: none"> City acknowledges significant improvement is possible across all divisions. City is establishing central grants management office. City is restructuring PDD org to realign service offerings. City plans to transfer some department functions to partner entities (private or other government entities) to redesign service delivery model. 	\$ 1.0	\$ 2.0
(3) City helps develop strategic plan for development/real estate deals that reflects Mayor's priorities <ul style="list-style-type: none"> Division leaders could work with all planning divisions and Mayor's Office to develop a clear development plan and a fixed list of criteria that each potential deal must meet before it can be signed; criteria should support land use plan and City government goals 	N/A	N/A	(3) Contemplated in POA <ul style="list-style-type: none"> City acknowledges significant improvement is possible across all divisions. City is establishing central grants management office, and plans to privatize/enter sub-recipient agreements for various functions to improve service delivery. 	N/A	N/A
(4) City provides support to department to prosecute Section 108 recipients who do not repay funds <ul style="list-style-type: none"> City provides legal, technical, and PR support to department to prosecute non-payors Selection of non-payors to be prosecuted will be based on outside-in analysis of financials to ensure that only solvent projects are targeted <p><u>Additional identified financial savings/benefits:</u></p> <ul style="list-style-type: none"> Could free up to \$9MM a year from CDBG grant that can be used for other purposes depending on whether rate of non-payment remains high More likely recapture rate is ~30% or \$2-4MM 	\$ 2.0	\$ 9.0	(4) Contemplated in POA <ul style="list-style-type: none"> City is negotiating with non-payors to develop work out plans Any recapture can be directly redeployed to other CDBG grant activity 	\$ 2.0	\$ 7.0

McKinsey & Company Opportunities [Oct. 1, 2010]

Financial Impact

Low High

- (5) **Limit City Council's ability to recommend programs by requiring minimum performance standard for renewal**
- City Council, department, and Mayor's office adopt a basic set of criteria that verifies that programs and sub-recipients exist and meet minimum criteria (e.g. people served, acceptable financials)
 - Department creates list of qualified programs for Council

N/A N/A

City's Restructuring & Reinvestment Initiatives

Financial Impact

Low High

- (5) **Contemplated in POA**
- Currently refining criteria, need to enforce process
 - POA contemplates consolidation of all Planning activities into PDD.

N/A N/A

Revenue from Tax Opportunities

McKinsey & Company Opportunities [Oct. 1, 2010]

Financial Impact

Low High

(1) Develop resident and commuter income tax discovery and collections capabilities

- Revamped collections process to include:
 - Improve IT system to identify some potential payors and ensure correct billing/payment processing
 - Retrain staff to actively follow up with non-compliers
 - Legal team responds to known cases, spot checks

Additional identified financial savings/benefits (cont'd):

- \$32-35MM annually if well executed but avoiding prosecuting hardship cases
- Up to \$45MM including hardship prosecutions (extremely politically challenging)

(2) Improve corporate tax audit and collection

- City could develop audit function, either by contracting work privately or developing internal capabilities
- City would need to audit a high percentage of returns initially to ensure high compliance in future years

Additional identified financial savings/benefits (cont'd):

- \$6MM annually likely attainable
- \$12MM or more possible revenue may exist but cost of recovery does not justify pursuing (i.e. some small businesses)

(3) Prosecute PTA non-filers, raise non-filer penalty

- Conduct spot check enforcement of homesteaded homes sold
- Require payment of tax including back years since sale
- Non-compliers can be foreclosed on through normal Wayne County process

Additional identified financial savings/benefits (cont'd):

- \$2-4MM annually going forward
- Ability to collect back taxes disputed; burden of proof on city

\$ 2.0 \$ 4.0

City's Restructuring & Reinvestment Initiatives

Financial Impact

Low High

(1) Develop resident and commuter income tax discovery and collections capabilities

- The Income Tax Division is in the process of implementing a new income tax software system that will improve the City's billing and payment processing. The new income tax software system will automate many current manual processes and allow employees to be shifted towards the audit/compliance function. The City is also in the process of hiring a 3rd party collection agency to collect past due income taxes on a commission basis. As a result of above and other restructuring initiatives, the 10 Year Projections include approximately \$3 MM annually in additional annual income tax revenue as well as a \$10 MM one-time collection from past dues.

(2) Improve corporate tax audit and collection

- The Income Tax Division is in the process of implementing a new income tax software system that will improve the City's billing and payment processing. The new income tax software system will automate many current manual processes and allow employees to be shifted towards the audit/compliance function. As a result of above and other restructuring initiatives, the 10 Year Projections include approximately \$3 MM annually in additional annual income tax revenue.

(3) Prosecute PTA non-filers, raise non-filer penalty

- The City of Detroit, among other cities within Michigan, is in favor of increasing the non-filer penalty, however it's governed by the General Property Tax Act which is a State Law. At this time legislation has not been introduced to increase PTA penalties. Additional property tax collections were not included in the 10 Year Reinvestment/Reorganization projections as the strategies had not been approved.

McKinsey & Company Opportunities [Oct. 1, 2010]

Financial Impact

Low	High
-----	------

(4) Improve collection of commercial personal property taxes

\$ 5.0	\$ 10.0
--------	---------

- After current case backlog is cleared, clearly communicate with non-compliant businesses that spot checks and prosecution of cases will begin this year
- Organize legal staff and inspectors to do targeted inspections of high-value locations and select others

Additional identified financial savings/benefits (cont'd):

- \$5-10MM if fully implemented including prosecution of non-compliers

City's Restructuring & Reinvestment Initiatives

Financial Impact

Low	High
-----	------

(4) Improve collection of commercial personal property taxes

- The City has hired an employee dedicated solely to collection of commercial personal property taxes. The resulting increase in the collection of commercial personal property taxes is included in 10 Year Base-Line Projections. The Michigan personal property tax law is being phased out.

State Cultivation Efforts

McKinsey & Company Opportunities [Oct. 1, 2010]

Financial Impact

Low High

(1) Lobby and build coalitions to protect current share of State Revenue Sharing Pool

- Work closely with Lansing, both directly and through lobbying team, to ensure that strategic importance of state revenue sharing to Detroit is well understood and protected.

Additional identified financial savings/benefits:

- \$20-60mm above current trajectory assuming that half-and-half formula represents current most likely eventual outcome
- If full per-capita formula is adopted and the size of the pot continues to decline, up to an additional \$80mm could be at risk

(2) Revise law to avoid 0.1% income tax rate lowering in future years

- Revise law to eliminate tax rate decline and freeze rate
- Alternatively, revise law to reduce complexity of waiver and increase likelihood that waiver will be accepted (i.e. no decline if Detroit's prior year income tax receipts were less than \$250mm)

Additional identified financial savings/benefits:

- \$7-9mm per drop in rate
- Up to 5 more drops are possible in future years
- Once a drop occurs, it remains permanently in place for future years unless law is revised

City's Restructuring & Reinvestment Initiatives

Financial Impact

Low High

(1) Lobby and build coalitions to protect current share of State Revenue Sharing Pool

- The City has not included items in the POA projections that require legislation that it cannot control. The City continues to lobby State officials for assistance with financial and operational matters important to the City.

(2) Revise law to avoid 0.1% income tax rate lowering in future years

- The City has not included items in the POA projections that require legislation that it cannot control. The City continues to lobby State officials for assistance with financial and operational matters important to the City.

Pension

McKinsey & Company Opportunities [Oct. 1, 2010]

Financial Impact

Low High

(1) Obtain legal opinion on board members' fiduciary responsibilities and personal liability to trigger mindset shift

- Work with law firm to generate opinion that appraises board members of their fiduciary responsibility and consequences of failing to execute responsibilities
- Use opinion to catalyze mindset shift and initiate larger dialogue on governance and other transformations

Additional identified financial savings/benefits:

- Likely to limit immediate abuse of positions, valued at ~\$1-2mm a year (out of fund, not contributions)
- Larger value is in opening door to other changes that are more financially significant

*

These other changes might include governance shifts but could include formulaic re-writes as well

(2) Reduce multiplier formula from 2.5 for current and future employees - future years

- Bring multiplier into line with other municipalities (from 2.5 to 1.8 or 1.9)

Additional identified financial savings/benefits:

- At current normal cost of \$40-50mm a year, the city would save \$10-13mm a year
 - * For every 0.1 that the multiplier is reduced, the city would save 4% of normal cost (base pension obligation), which is typically around 25-30% of salaries
 - * By reducing the multiplier by 0.6, the city would save 24% of normal cost

City's Restructuring & Reinvestment Initiatives

Financial Impact

Low High

(1) Obtain legal opinion on board members' fiduciary responsibilities and personal liability to trigger mindset shift

- Pension related changes are included in the POA projections. See the Plan of Adjustment and Disclosure Statement for additional information.

(2) Reduce multiplier formula from 2.5 for current and future employees - future years

- Pension related changes are included in the POA projections. See the Plan of Adjustment and Disclosure Statement for additional information.